RECEIVED

NEW APPLICATION



LAWRENCE V. ROBERTSON, JR.

ATTORNEY AT LAW

P. O. BOX 1448 Tubac, Arizona 85646

ARIZONA CORP. COMM 400 W CONGRESS STE 218 TUCSON AZ 85701

> OF COUNSEL TO MUNGER CHADWICK, P.L.C.

(520) 398-0411 Fax: (520) 398-0412 Email: Tubaclawyer@aol.com ADMITTED TO PRACTICE IN: ARIZONA, COLORADO, MONTANA, NEVADA, TEXAS, WYOMING, DISTRICT OF COLOMBIA

March 13, 2009

Docket Control Arizona Corporation Commission 1200 West Washington Phoenix, Arizona 85007

W-03718A-09-0122

Re:

Sahuarita Water Company, LLC Docket No. W-03718A-09-

To Whom It May Concern:

Enclosed for filing are the original and thirteen (13) copies of an Application for long-term debt financing authorization, together with supporting Appendices "A" through "J," on behalf of Sahuarita Water Company, LLC.

Thank you for your assistance. Please advise me if you have any questions.

Sincerely

Angéla R. Trujillo

Secretary

Lawrence V. Robertson, Jr.

TORRESONANT OF THE O

Arizona Corporation Commission
DOCKETED

MAR 1 6 2003

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION RECEIVED

COMMISSIONERS

RECEIVE GENERAL D 4: 08

KRISTIN K. MAYES, Chairman

GARY PIERCE

AZ CORP COMPRESSIO DOCKET CONTRUL

PAUL NEWMAN SANDRA D. KENNEDY **BOB STUMP**

ARIZONA CORP. COMM 400 W CONGRESS STE 218 TUCSON AZ 85701

W-03718A-09-0122

IN THE MATTER OF THE APPLICATION OF SAHUARITA WATER COMPANY, LLC FOR

DOCKET NO. W-03718A-09-

AUTHORITY TO **INCUR** LONG-TERM **INDEBTEDNESS** TO **FINANCE** WATER

APPLICATION

SYSTEM IMPROVEMENTS

Pursuant to A.A.C. R14-3-106 (F) and A.R.S. 40-301 et seq., Sahuarita Water Company, LLC ("SWC"), by and through its undersigned counsel, hereby makes Application for an Opinion and Order authorizing it to incur certain long-term indebtedness for the purpose of financing water system improvements. In support of its Application, SWC submits the following

information.

I.

DESCRIPTION OF APPLICANT

SWC is an Arizona public service corporation subject to regulation by the Arizona Corporation Commission ("Commission") as a water utility. SWC has received certificates of convenience and necessity authorizing it to provide potable water service to the public within a certificated service area in the vicinity of Sahuarita, Arizona. At present, SWC provides such service to approximately 4,622 customer connections. These customer connections consist of 4,458 residential, 17 commercial and 147 irrigation and construction.

II.

CIRCUMSTANCES OCCASIONING APPLICATION

By way of background, water withdrawn from SWC's production wells was tested in 2004 under the MAP program and determined to be in compliance with the United States Environmental Protection Agency's ("EPA") arsenic concentration standard of 50 ppb then in

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effect. However, the measured concentration levels were in excess of the 10 ppb standard which was scheduled to become effective in January 2006. Accordingly, SWC drilled an additional well in 2006 with the intent of blending the production from that well with its two (2) preexisting production wells. But, the production from the third well was also in excess of 10 ppb, and SWC thus determined that blending the output from that well was not an available arsenic remediation measure.1

In 2007, SWC's two (2) existing production wells were again tested under the MAP program and determined to be in compliance with the 10 ppb standard that went into effect in 2006. However, one (1) of the wells was barely in compliance, because it tested at 9.9 ppb. Those same wells were tested again in 2008, in connection with the design of the centralized arsenic treatment facility which is the subject of this Application, and were found to be in excess of 10 ppb. In addition, during 2007 SWC initiated a well exploratory program, which was designed to enhance SWC's water production capability and quality. The program results became available in 2008, and disappointingly indicated that water produced from each of five (5) wells that had been drilled would require arsenic treatment.

Under the Arizona Department of Environmental Quality ("ADEQ") and Safe Drinking Water Act ("SDWA") sampling cycles, 2010 will be the next arsenic concentration sample test year for SWC.2 Given the aforesaid background with respect to its existing production wells and the presence of elevated arsenic levels within its anticipated future sources of water supply, SWC concluded that it would be prudent for the company to implement a proactive arsenic treatment program at this time, in order to insure that SWC is in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this manner, SWC can be in a position to assure the ongoing delivery of drinking water to its customers in compliance with applicable statutes and regulations.

Accordingly, SWC has contracted to construct a 2,000 gallon per minute (gpm) centralized arsenic treatment facility during 2009, which would be connected to SWC's

¹ The third well was not completed as a production well.

² By reason of system customer growth since 2007, SWC has outgrown the MAP program, and will conduct its own arsenic concentration test(s) in 2010.

production wells by approximately 2.5 miles of collector transmission mains. In that regard, attached hereto as Appendix "A" and incorporated herein by this reference is an itemization of the aforesaid capital improvements, and the currently anticipated associated cost(s). As may be noted therefrom, the centralized arsenic treatment facility is estimated to cost \$2,686,523,³ and the aforesaid collector transmission mains are estimated to cost \$2,008,000, for a total capital expenditure of \$4,694,523, inclusive of contingency allowances.

III.

PROPOSED FINANCING ARRANGEMENT

As noted in Section II above, SWC intends to have the aforesaid centralized arsenic treatment facility in service by the end of 2009. In order to facilitate this construction schedule, SWC originally intended to borrow funds from its investors on a short-term basis,⁴ with the understanding and intent that such short-term borrowings would be replaced with funds obtained through a long-term loan arrangement with the Water Infrastructure Financing Authority of Arizona ("WIFA") and/or a commercial back. In that regard, on January 27, 2009, SWC submitted a Project Financial Assistance Priority List ("PPL") Application to WIFA, in order to commence the WIFA loan application process. A copy of that application is attached hereto as Appendix "B," and is incorporated herein by this reference. Thereafter, on February 17, 2009, SWC filed an Application with the Commission requesting short-term debt financing authorization⁵ from the Commission, which Application was assigned Docket No. W-03718-09-0065. In addition, representatives of SWC have met with representatives of Wells Fargo Bank and Compass Bank to explore a possible long-term commercial bank lending arrangement, in the event WIFA funding was either unavailable or available only on less favorable terms.

³ This estimate includes the cost of the facilities necessary to transport water from the centralized arsenic treatment facility to SWC's storage reservoirs.

⁴ As used herein, "short-term" means a loan period of duration of less than twelve (12) months.

⁵ SWC's construction schedule contemplates a substantial expenditure of funds in the initial stages of construction; and, it is conceivable that the amount required to be borrowed and disbursed for such purpose could exceed 7% of SWC's total capitalization before SWC is able to obtain long-term financing authorization for the water system improvements here in question. As the Commission is aware, A.R.S. § 40-302(D) provides that short-term borrowings in excess of 7% of a public service corporation's total capitalization require prior Commission authorization.

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Subsequent to the filing of its Application in Docket No. W-03718-09-0065, SWC received a February 20, 2009 letter from Chairman Mayes encouraging SWC to explore the availability of federal "stimulus" funds being administered by WIFA under the auspices of the Federal Economic Recovery legislation. A copy of Chairman Mayes' letter is attached hereto as Appendix "C," and is incorporated herein by this reference. As a follow-up to Chairman Mayes' letter, and as a result of communications SWC had independently been having with representatives of WIFA, on March 5, 2009, SWC filed an amendment to the PPL Application it had filed with WIFA on January 27, 2009. The amendment to the PPL Application was intended to assist WIFA in determining whether SWC's loan application might qualify for federal "stimulus" funding; and, a copy of that amendment is attached hereto as Appendix "D," and is incorporated herein by this reference. Thereafter, on March 9, 2009, SWC responded to Chairman Mayes' February 20, 2009 letter, and therein advised her of the contemplated water system facilities which are the subject of this Application and SWC's intent to seek federal "stimulus" funding. A copy of that letter is attached as Appendix "E," and is incorporated herein by this reference. Finally, after having been advised by WIFA on or about March 10, 2009 that SWC's January 27, 2009 PPL Application appears to qualify for funding under the American Recovery and Reinvestment Act ("ARRA"), SWC filed an ARRA Loan Application supplement with WIFA on March 12, 2009. A copy of that ARRA Loan Application supplement is attached hereto as Appendix "F," and is incorporated herein by this reference.

In addition, on March 9, 2009 the undersigned counsel for SWC received a telephone call from a representative of the Commission's Staff. During the course of the ensuing conversation, it was suggested that SWC immediately file the contemplated long-term debt financing authorization Application to which reference had been made in SWC's February 17, 2009 shortterm debt financing authorization Application. As SWC understood the situation, the Commission Staff believed that the best use of its personnel resources would be to focus on expediting the processing of SWC's long-term debt indebtedness authorization request, rather than the short-term debt Application currently pending in Docket No. W-03718A-09-0065.

Accordingly, SWC is requesting through this Application that the Commission (i) issue an appropriate procedural order promptly setting this matter for hearing, if a hearing is found to be necessary, and thereafter (ii) issue an Opinion and Order authorizing SWC to borrow <u>up to</u> \$4,694,523 for the aforesaid purposes pursuant to a long-term loan arrangement with WIFA and/or a commercial bank.⁶

IV.

PROPOSED FINANCING CONSISTENT WITH A.R.S. 40-301 ET SEQ.

SWC believes that the proposed financing is (i) within the corporate powers of SWC, (ii) compatible with the public interest, (iii) compatible with sound financial practices, (iv) compatible with the proper performance by SWC of service as a public service corporation and (v) will not impair its ability to perform that service.

V.

CONCLUSION

WHEREFORE, SWC hereby requests that the Commission set the instant Application for hearing at the earliest practicable date, if a hearing is found to be necessary, and thereafter issue an Opinion and Order authorizing SWC to incur long-term indebtedness in the amount of <u>up to</u> \$4,694,523 pursuant to a loan arrangement with WIFA and/or a commercial bank in order to finance the design and construction of the aforesaid water system improvements.⁷

Dated this 13th day of March 2009.

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Lawrence V. Robertson, Jr.

P. O. Box 1448

Tubac, Arizona 85646

Attorney for Sahuarita Water Company, LLC

⁶ In that regard, attached hereto as Appendices "G" and "H," and incorporated herein by this reference are copies of a final Balance Sheet and Income Statement for the twelve (12) months ended December 31, 2008 for SWC. In that regard, neither SWC nor any of its predecessors-in-interest has previously requested any form(s) of financing authorization from the Commission; and, SWC does not have any outstanding debt at present. Also enclosed as Appendices "I" and "J," respectively, and incorporated herein by this reference, are copies of a Cash Flow Analysis for SWC for the twelve (12) months ended December 31, 2008, and a Statement of Changes In Owner's Equity for the year ended December 31, 2008.

⁷ As the Commission is aware, WIFA will not take final action on a loan application from a public service corporation until the Commission has first authorized the indebtedness proposed to be incurred.

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2	Original and thirteen (13) copies of the above Application will be filed on
3	March 13, 2009 with:
4	Docket Control Arizona Corporation Commission
5	c/o 400 West Congress, Suite 218 Tucson, Arizona 85701
6	
7	A copy of the above Application will be mailed/emailed that same date to:
8	Ernest Johnson, Director
9	Utilities Division - ACC
	1200 West Washington Street
10	Phoenix, Arizona 85007
11	Steve Olea, Assistant Director
12	Utilities Division - ACC
	1200 West Washington Street
13	Phoenix, Arizona 85007
14	Janice Alward, Chief Counsel
15	Legal Division - ACC
. 10	1200 West Washington Street
16	Phoenix, Arizona 85007
17	Mark J. Seamans, President
18	Sahuarita Water Company, LLC P.O. Box 1520
19	Sahuarita, Arizona 85629
20	ATT
21	
22	
23	
24	

Appendix "A"

SAHUARITA WATER CO, LLC

ARSENIC TREATMENT PROJECT

SUMMARY OF COSTS

Project	Estimate	Contingency	Total Costs
Arsenic Treatment Plant	\$ 2,567,596	\$ 118,927	\$ 2,686,523
Well 18 Transmission Main	\$ 1,018,000	\$ 204,000	\$ 1,222,000
Well 14 Transmission Main	\$ 655,000	\$ 131,000	\$ 786,000
TOTAL	\$ 4,240,596	\$ 453,927	\$ 4,694,523

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

		senic
<u>Description</u>	Treatm	ent Plant
Furnish all labor, materials and equipment necessary to install chlorinator, including all connections per plans and specifications	\$	36,311
complete. Furnish all labor, materials and equipment to provide a 12' wide lime treated A B access road per plans and specifications complete.	\$	19,500
Furnish all labor, materials and equipment to install chain link fence with 16' access gate, track and appurtenances per plans and specifications complete.	\$	4,698
Furnish all labor, materials and equipment to install block wall, including connection to existing block wall, sleeve for future pipeline, and all appurtenances per plans and specifications complete.	\$	70,508
Furnish all labor, materials and equipment to install electrical and instrumentation equipment per plans and specifications complete.	\$	40,000
Furnish all labor, materials and equipment to install control panel including coordination with Malcolm Pirnie to perform telemetry programming per plans and specifications complete.	\$	10,000
Furnish all labor, materials and equipment to install fiber optics lines, pull boxes, connections and appurtenances per plans and specifications complete.	\$	11,445
Furnish all labor, materials and equipment to install 24" V905 DR 18 PVC pipeline including all valves, fittings and connections per plans and specifications complete.	\$	120,900
Furnish all labor, materials and equipment to install 16" DIP main including tank connections, recoating valves, existing storage tanks, and fitting per plans and specifications complete.	\$	106,435
Furnish all labor, materials and equipment to complete site pad, final grading and 2" of 3/4" gravel per plans and specifications complete.	\$	18,216
	\$	438,013
Bond	\$	6,973
Taxes	\$	28,756
Bid Total	\$	473,742
Furnish all labor, materials and equipment necessary to install level electrode assemblies on reservoirs including new tank connections per plans and specifications complete.	\$	4,350
Install alternative drainage channel section indicated in detail 1, sheet 17 per plans and specifications complete.	\$	28,800
Furnish all labor, materials and equipment necessary to install shade	•	20,000
structure for chlorinator per plans and specifications complete. Furnish all labor, materials and equipment necessary to hot tap tank	\$	6,430
connections and recoat rank using a certified diver per plans and specifications complete.	\$	3,950
Furnish all labor, materials and equipment necessary to have certified diver inspect tanks and provide written inspection reports per plans and specifications complete.	\$	5,880
Furnish all labor, materials and equipment necessary to re-coat the interior of the eisting 1.0 MG 2850-Zone reservoir including surface preparation, tank draining, and disinfection per plans and specifications		
complete.	\$	118,886
	\$	168,296
Bond	\$	1,670
Taxes	\$	11,049
Addendum Total	\$	181,015
Total Bid plus Alternates	\$	654,757

SAHUARITA WATER COMPANY, LLC

COSTS FOR ARSENIC TREATMENT PLANT

<u>Description</u>	Tre	Arsenic atment Plant
Layne Christensen		
Layne Christensen	\$	1,400,000
Bond	\$	14,000
Taxes	\$	91,910
Layne Christensen Total	\$	1,505,910
Miscellaneous		
Paul Jacobson	\$	10,000
Westland Inspections (Total \$29,250)	\$	19,013
Arsenic Treatement Ph 1_Westland OPCC 102208 (attached)	\$	397,500
Trico	\$	30,000
Fiber Optics - design/program	_\$	16,667
Miscellaneous Total	\$	473,179
Sub-Total (Bid, Alternates, Layne and Misc)	\$	2,633,846
Contingency	\$	52,677
Total Budget	\$	2,686,523

WestLand Resources, Inc. Engineering and Environmental Consultants

DRAFT
Preliminary Opinion of Probable Construction Cost - Phase I SWC Arsenic Treatment Plant

Project Name: Phase I SW	Phase I SWC Arsenic Treatment				
Profect Number: 217.149 X	217.149 X 8000	Prepared by:	EKB	Date	Ingrana
Location:	Sahuurita, AZ	Checked by:	MFT	Date:	
Describedian	Phase I Arsenic Treatment Plant to treat				
'uandi mere	Wells 14 and 18	Client:	SWC		
		The second secon			

Item No.	Description of Item	Units of Measure	Estimated Quantity	Unit Price	TOTAL	Remarid
-	Install 4 - 10' diameter arsenic treatment vessels and cartridge filter including all piping, appurtenances and fittings	S7		\$100,000	\$100,000	
2	Install site piping including all header piping, valves, fittings, appurtenances, including installing vendor supplied equipment, and all connections	LS	-	\$125,000	\$125,000	Including aboveground 12-inch flow meter; flow control valve in 24 meta, and all pipelines, valving and connections to new treatement plant.
	Cost of Accu-Tab Chlorination System and Analyzer	S.J	-	835,000	\$35,000	A total of \$36,311 in Well 23 bid for Hammonds unit and installation. A previous Accu-Tab quote for a 1,500 gpm system was \$18,560 for unit and \$13,00 for the building, as well as an estimate of \$3,500 for the chloring and year.
4	Install Chlorination System and residual analyzer	S7	1	88,000	\$8,000	
5	Construct concrete pads	S7	-	\$45,000	\$45,000	
9	Electrical, control, and telemetry work	S7	-	538,250	838,250	Provided by Rick Cunney Engineering (see afficiency). Excluding 15% contingencies from estimate
7	Materials necessary to load media and gravel	ន	-	\$10,000	\$10,000	Cost of labor and crain rental.
∞	Paint arrenic treatment vessel, bag filter vessel, above ground piping, and all appurtenances	ST		\$10,000	\$10,000	

₽,	8/	90
231250	. J	397
5371.250	574,250	\$445,500
Subiotal	20% Contingencies, Payment Bonds, and Taxes	

Note: Cost excludes the 24-inch pipeline and all site work as shown in Well No. 23 plans. Also excludes equipment provided by Layne Christiansen

SWC TRANSMISSION MAINS
(CIP# 08-142, 08-146)
ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COSTS
80% SUBMITTAL

Clent: Servaria Water Company Surrier Job No.: 1851 20332 Propared by: MG 18-NOV-2008

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Description			6	Page - SWC CIP # 86-162	2	٦	2	Page - SWC CP # 06-100	Ī		TOTAL	₹ †	INT COST	SUSTOTAL	EMBTOTAL COLUMN	TOTAL
		-	•	٤	=	73	22	z	=	*	C - 10 - 10			CP 1 11-12	CP 0 00-146	1500
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REMOVAL OF ASPIRATIC CONCRETE PAVEMENT	à	1	1			3			Ā	Ę	*	72	6 ta.00	8	\$ 7,230	8 7,810
REMOVAL OF CONCRETE BIDGHALKS AND DRIVEWAYS	ià.					514	ş		SE SE	2	#	2	1 1.00	#1.0 #	OME'S 6	8 KB.744
OPADING FOR PAVEMENT	à					8			ž	2,5	#	ar.	9.00	3	_	8 7.416
ADGREGATE BASE	ð	22				-			R	2	13	764	9 100.00	200.2	•	6 18,780
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PIPE, DUCTALE IRON (DB, SY* (CLASE 250)	5				Ž						24		12.00	100.24		2000
PIPE, POLYVIWI, CHLORIDE (PVC), 15" (CLASS 200)	5				2	586					1960		9 80.00	_	•	8 64.600
PIPE, POLYVINI, CHLORIDE (PVC), 18" (DA18)	5								7			(36)	9 100.60		20,780	2 20 70
PIPE, POLYVINYL CHLORIDE PIVO), 28" (DR14)	5												105.80	•		
PIPE, POLYVINT, CALCHIDE PINC), 24" (DR14)	5	68	1250	22	8		1238	1274			4004	252	3 110.00	3	1 271.430	216.800
CATE VALVE, IF	ស				-			-			1	1	S TOROLE	_	_	1
BUTTERRY VALVE, 16"	Z							-		2		C	1 8,500.8		Ŀ	7.500
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009	2								8			8	\$ 1.00		1 600	1 808
TREE (OWNER SUPPLIED)	3	1	1		-		-		8	=	•	3	1,800,00	3 6,000	\$ 48,000	5 64,000
LANDSCAPE INFRIGATION SYSTEM	2				1	-		1	-	-	-	2	\$ 2,590.00	\$ 2,606	\$ 6,000	8 7,500
JACKING & BORING, 42" CARRIER PIPE	5		7		2			1			ÿ		8 800.00	8 115,208		8 115.280
CONCRETE GURB (COT/PC STD, MO. 200) (H - FT)	3					=			2	8	×	8	\$ 24.00	ř	0261 8	2304
CONCRETE CURB (WEDGE) (COTIPC STD. NO. 209) (H = 67)	5					2		1			22		\$ 30.80	380		36
CONCRETE BEDEMALK (COTTPC STD. NO. 200)	5					3	3		200	240	5144	52.00	\$ 6.00	8 25,720	500,45	627.23
CONCRETE FORD WALL (1' X 3)	5	ž	1	1	ş		\$	9			ž	3	\$ 40.00	8		\$ 10,168
REPRAP (DUMPED)	ò		7	٦	2	Ŧ	=	2	٦	2	3	8	\$ 75.00	8 05/21 8		\$ 16,860



SWC TRANSMISSION MAINS

(CIP# 08-145, 08-146)
ENGINEER'S OPINION OF PROBABLE CONSTRUCTION COSTS
90% SUBMITTAL

Cfent: Schuerfia Water Company Statists Job No.: 163120332 Prepared by: NO 18-NOV-2006

408,805 8 908,1C1 6 23,300 9,286 GUSTOTAL COST CIP e 08-148 \$ 000'902 1,018,600 \$ 14,016 8.073 SUBTOTAL COBT 7,50 ¥ ¥ \$ 2400.40 \$ \$ 20,000.00 \$ 3.50 8 0000001 8 1,500.00 1,00000 8 2,000.00 CP 8 86-142 CP 8 86-148 UNIT COST 3 2 â 13 14 18 18 Page - SWD CAP & DE-146 1274 5 = 1618 Page - SWC CIP # 08-142 # # # 8 35 2500 2300 ž Ā 687 5 2 ņ 5 ŝ ថ SCELLANEOUS WORK (CONSTRUCTION ADMINITIOSERVATION) CATCH BANN, BORWAK BCLPPER (1-4 CRLIS) BPECAL PER OTL. 1, SHT. 6) CATCH BAIN, BORWAK SCIPPER (3-4 CRLIS) BPECAL PER OTL. 1, SHT. 6) CONDUIT, OF (TEP) (SECOND IN THENCH MOBILIZATION Seb-Tried Cenebration Cost BER OFTIC TERMINATION WL BOX, 8A-2258 (TEP) VILL BOX, FIRER OFTIC WHECH BUPIED CARLE PLICE PT

Tetal Construction Cost

794,806 \$ 2,004,908

1,222,800 \$

Appendix "B"

Water Infrastructure Finance Authority of Arizona (WIFA) Project Financial Assitance Priority List Application DRINKING WATER APPLICATION

APPLICATION NUMBER: DW-045-2009 SUBMITTED: 1/27/2009 Last Seamans State: AZ E-Mail: Fax: (520) 399-1095 Job Title: President Middle Initial J City: Sahuarita Sahuarita Water Company, LLC SECTION 1: APPLICATION INFORMATION (520) -3991105 PO Box 1520 1.2 Contact Names: 1.1 Applicant: 1.3 Address: 1.4 Phone:

1.5 County in Which Project is Located: Pima

mseamans@ranchosahuarita.com

Population Served by the System: 12,628

1.7 Average Monthly Fee (Base + Use); \$ 30.00

1.6 Number of Connections to System: 4677

1.8 Existing Debt (principal only) Payabale by System Users: \$ 0.00

1.9 Median Household Income:: \$ 53,194

1.10 ADEQ System Identification # (PWS #); AZ0410312

1.11 Has this project received prior year WIFA funding?

Yes, request is for a multi-year construction project that received assistance in a previous funding cycle

🔘 Yes, request is to construct a project that received TA funds in a previous funding cycle

Yes, request is for additional financial assistance to offset actual costs of justified overruns

1.12 is your company registered with the E-Verify Program? (7) Yes (9) No

(You will be required to provide proof of participation prior to the execution of a loan or grant agreement.)

SECTION 2: PROPOSED DRINKING WATER FINANCIAL ASSISTANCE PROJECT

2.1 Project Title/Name: SWC Arsenic Treatment Plant

and/or [4] Construction \$ 4,250,000.00 2.2 Type of loan required during this funding cycle? Truethis is a test 👸 Design S 450,000.00

2.3 Briefly summarize below the problem (Mail any supporting documentation)

Agency's (EPA) arsenic concentration rules, which became effective in January 2006. However, samples taken from SWC's production wells in 2004 would not have satisfied EPA's current arsenic concentration rules, although, they did comply with the regulations in affect at that time. Moreover, given the geologic characteristics of the groundwater aquifer upon which SWC relies, and the fact that samples taken from the aforesaid production In 2007, water produced for SWC's production wells was tested and determined to be in compliance with the U.S. Environmental Protection

wells in late 2008 exceeded the EPA standard, SWC anticipates that the arsenic concentration of water withdrawn from current and future production In that regard, under the Arizona Department of Environmental Quality (ADEQ) and Safe Drinking Water Act (SDWA) sampling cylces, 2010 would be the next arsenic concentration sample test year for SWC. However, given the aforesaid background with respect to its production wells and the presence of arsenic within its water supply, SWC has concluded that it would be prudent for the company to implement a proactive arsenic treatment program, in order to insure that SWC is in compliance with the SDWA and the EPA's arsenic concentration regulations at all times, including the forthcoming 2010 sample test year. In this manner, SWC can be in a position to assure the ongoing delivery of drinking water to its customers in wells probably will not comply with EPA's rules in the future. compliance with applicable statutes and regulations.

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Briefly summarize
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V

SWC proposes to construct a 2,000 gallon per minute (gpm) centralized arsenic treatment facility during 2009, which would be connected to SWC's production wells by approximately 2.5 miles of collector transmission mains. The centralized arsenic treatment facility is estimated to cost \$2,700,000 and the collector transmission mains are estimated to cost \$2,000,000, inclusive of contingency allowances.

2.5 Select Type(s) of Needs to be Funded	
5 Select Type(s) of Needs to	₽
5 Select Type(s) of Needs (
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rd (Motole/c))	Distribution Source Source Source		w Requirements		Submitted a complete capacity development plan to ADEQ		Extending service to existing areas currently served by another facility Consolidate the ownership of existing multiple facilities
Treatment-Bacteriological Treatment-Arsenic	Transmission & Distribution Purchase of System(s)		Compliance - New Requirements		s identified by ADEQ ter to monitor water use		g multiple facilities nultiple facilities focuments)
Planning and Design Only Treatment-Nitrate Treatment-Organic Chemicalis)	Treatment-Other Storage Land Acquisition	2.6 Select Expected Project Benefit(s)	्री Compliance - Existing Requirements ४। Reduce Public Health Risks	2.7 Water System Improvement	Proposed project addresses deficiencies identified by ADEQ Proposed project includes installing meter to monitor water use	2.8 Consolidation and Regionalization	Consolidate physical facilities of existing multiple facilities Consolidate the operations of existing multiple facilities 2.9 System Compliance (mail any supporting documents)

SECTION 3: AMOUNT OF PROJECT FINANCIAL ASSISTANCE

In compliance

O Notice of violations and/or consent orders from regulatory agency

3.1 Estimated Date WIFA Funding Required; 11/1/2009

3.2 Estimated Financial Assistance Costs & Funding Source

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SECTION 5: CERTIFICATION & APPROVAL

As the Authorized Representative, I certify that the information contained in this application is, to the best of my knowledge, true, accurate, and

Authorized Representative Name: First Mark

Last Seamans

Tille: President

שווחסווש זח לוווחווחוז חחווווו ז חווו ביווחוחוושו זה לוווחווחווושו

Authorized Signature:

Date: 1-27-09

Water Infrastructure Finance Authority of Arizona | 1110 West Washington, Suite 290, Phoenix, Arizona 85007 Phone: (602) 364-1310 | Fax (602) 364-1327 | Toll Free: (877) 298-0425

Appendix "C"

COMMISSIONERS
KRISTIN K. MAYES - Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP



MICHAEL KEARNS Acting Executive Director

ARIZONA CORPORATION COMMISSION

February 20, 2009

Re: Opportunities for Commission regulated water companies to access Federal Stimulus monies for water infrastructure projects, finance consolidation of smaller water systems; Utility plans and preparations for additional funding.

Dear Sir or Madam:

You are receiving this letter as a representative of a Class A or B water utility in Arizona. As you know, the recently passed Federal Economic Recovery package includes financial assistance for water infrastructure projects. All told, more than \$7 billion dollars is available through United States Department of Agriculture ("USDA") grants and loans and Clean Water Act ("CWA") and Safe Drinking Water Act ("SDWA") State Revolving Loan Funds ("SRF"). As I understand it, the legislation introduces a new prioritization for funding for "projects on a State priority list that are ready to proceed to construction within 12 months of the date of enactment of this Act." The legislation also includes a "use it or lose it" provision, which tells states that if they are unable to utilize the funding for water infrastructure improvements, it will be reallocated to other states. ¹

It is my understanding that in Arizona the Water Infrastructure Financing Authority ("WIFA") will be administering the additional funds designated for our state, which total in excess of \$81 million dollars, through the CWA and SDWA SRFs. At this moment, WIFA is preparing policies and procedures for accessing these additional funds.

Given the immediacy of this issue and the scope of funds available, I would like you to inform the Commission of any plans you have for applying for and/or utilizing this increased funding. Accordingly, please identify any projects you have identified which could be presented to WIFA for consideration for funding provided by the Federal Economic Recovery package through the SDWA SRF (estimated to be in excess of \$26 million). Specifically, please tell the Commission whether any of the water companies you operate could benefit from money provided by WIFA to refurbish or repair dilapidated pipes, or implement leak detection or other efficiency measures at the water systems you currently operate, or whether you believe you could utilize some of this funding to purchase old and aging water systems, which could then be repaired and restored to health. As you know, Arizona has more than 350 private water companies, a good number of which are in desperate need of infrastructure improvements.²

¹ Even if Arizona water companies are unable to be included in the initial round of stimulus funding, it would appear there may be additional opportunities in the future, if other states are forced to turn back their allocations.

² In recent years, this Commission has heard from water companies, during rate cases and in other venues, that water companies need additional funding to replacing aging infrastructure. Several rate cases, asking ratepayers to finance

I recently learned that the federal EPA considers private water systems to not only be eligible for the new funding from the Recovery package, but that it also has encouraged investor owned and private utilities to apply for this funding if they have "shovel ready" projects that can make water systems more efficient, more "green" and most importantly, more reliable. Given the willingness of the EPA to consider water companies eligible for this additional infrastructure funding, and in view of the many needs of our state's small and large water companies, I believe it is important for water companies as well as this Commission to identify and encourage the placement of water company infrastructure projects on the WIFA priority list.

Thank you for your attention to this matter.

Sincerely,

Kris Mayes Chairman

Cc: Commissioner Pierce

Commissioner Newman

Commissioner Kennedy

Commissioner Stump

Ernest Johnson

Janice Alward

Michael Kearns

Rebecca Wilder

Judy Navarrete, WIFA

such infrastructure improvements, are pending before this Commission as I write this letter. Additionally, every year, the Commission is presented with at least a handful of cases involving water systems that are on the verge of complete collapse.

At a meeting this week of the National Association of Regulatory Utility Commissioners' Water Committee, of which I am a member, Peter Shanaghan, Team Leader of the US EPA's Drinking Water State Revolving Fund division told Commissioners that, "If a utility has been thinking about retrofitting old pumps for energy efficiency, that would be a great project for funding." Mr. Shanaghan also stated that an excellent candidate for funding by the CWA and SRF's would be one in which a well-functioning water company applied to use the funding to purchase a smaller, troubled system and make repairs to it. According to Mr. Shanaghan, Congress has stated that 20 percent of the water infrastructure funding should be used for water efficiency and energy efficiency.

Appendix "D"

ADDENDUM TO PPL APPLICATION Water Infrastructure Finance Authority of Arizona (WIFA) American Recovery and Reinvestment Act (ARRA)

	•		,			
Community Name:	Sahuarita Water Company, LLC	Date:	3/5/2009			
Project Contact:	Mark Seamans	Phone:	(520) -3991105			
Project ID:	DW-045-2009	Email:	mseamans@ranchosahuarita.com			
Project Title:	SWC Arsenic Treatment Plant					
	tion be considered for American Recovery below. If you have selected 'No', skip to th					
	r letter, the purpose of the Act is to provide fits. The citation below requires WIFA to provi					
SECTION 1: PREF	ERENCE FOR QUICK START					
that can be starte initiated not later	In using funds made available in this Act and completed expeditiously, including a than 120 days after the date of the enactneation and economic benefit.	goal of using	at least 50 percent of the funds for activit			
	y 17, 2009, when will your project be prepare ed () Within 60 days 🤏 Within 120 days ()					
	an agreement, organizations must have debt ocuments "WIFA Debt Authorization Guidan					
•	itly have debt authorization? Yes No. 2009 March 17, 2009 April 14, 2009					
1.3 After the start of construction, when will construction be completed and/or the final loan disbursement be requested fruit Within 6 months Within 1 year Within 2 years Within 3 years						
SECTION 2: USE O	OF AMERICAN IRON, STEEL, AND MA	NUFACTURE	ED GOODS			
ARRA Sec. 1605. Use of American Iron, Steel, and Manufactured Goods. (a) None of the funds appropriated or otherwise available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. (b) Subsection (apply in any case or category of cases in which the head of the Federal department or agency involved finds that—						
 applying subsection (a) would be inconsistent with the public interest; iron, steel, and the relevant manufactured goods are not produced in the United States in sufficient and reasonably quantities and of a satisfactory quality; or inclusion of iron, steel, and manufactured goods produced in the United States will increase the cost of the overall more than 25 percent. If the head of a Federal department or agency determines that it is necessary to waive the application of subsectior finding under subsection (b), the head of the department or agency shall publish in the Federal Register a detailed justification as to why the provision is being waived. This section shall be applied in a manner consistent with United States obligations under international agreements 						
documents and pr	ng to include this "Use of American Iron, Stee ovide supporting documentation that you have ide a brief explanation below:		- · · · · · · · · · · · · · · · · · · ·			
•	ready solicited bids, was this requirement inc I to go back out and re-bid, please adjust you		•			

SECTION 3: WAGE RATE REQUIREMENT

Sec. 1606. Notwithstanding any other provision of law and in a manner consistent with other provisions in this Act, & mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by a

Federal Government pursuant to this Act shall be paid wages at rates not less than those prevailing on projects of a char the locality as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of title 40, United Sta respect to the labor standards specified in this section, the Secretary of Labor shall have the authority and function Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code 3.1 Are you willing to include this "Wage Rate Requirement" in your plans and specification documents and provide supp documentation that you have complied with this requirement? Yes No If No, please provide a brief explanation below: 3.2 If you have already solicited bids, was this requirement included? Yes No If No, would you be willing to re-bi No If you had to go back out and re-bid, please adjust you answer in Section 1, if necessary. SECTION 4: POTENTIAL PROJECT DELAYS 4.1 To your knowledge, are there any issues such as NEPA compliance, SHPO compliance, Permit requirements, etc, that delay your project? Yes No If yes, please explain briefly below: **SECTION 5: REPORTING REQUIREMENTS** 5.1 Each Calendar quarter during construction, you will be required to provide a report outlining at a minimum the follow information: Completion status of the project · Estimated number of jobs created each quarter • Estimated number of jobs retained since the last quarter Will you be capable of providing this type of reporting? Yes No 5.2 Please estimate the total number of jobs 20 that will be created or retained if this project receives ARRA fund: provide a brief explanation below: It is expected that 20 jobs may be retained by various contractors in relation to this project. SECTION 6: GREEN, EFFICIENT, INNOVATIVE PROJECTS 6.1 Does your project address any of the following: green infrastructure, water or energy efficiency improvements or othe environmentally innovative activities? Yes No 6.2 Sustainability Infrastructure Practices Per A. Water Re-Use & Conservation - Project/System The use of improved technologies and practices to deliver equal or better services with less water. project will generate or utilize reclaimed water for direct re-use poject will correct water loss issues project will enhance water conservation program(s) B. Energy Use & Conservation (Efficiency) Includes capital projects that reduce the energy consumption of eligible water quality projects or produce clean energy used by a treatment works project will significantly improve system efficiency

project will employ s	ignificant alternative energy	y sources and/or co-generation efforts	
project will include a	n Energy Audit		
C. Green Practices (Green Int	frastructure)		
		es at multiple scales that manage wet weather to ma ranspiring and capturing and using stormwater.	intain
project will address s	tormwater through green in:	frastructure practices	
D. Environmentally Innovative			
sustainable way, including cycle cots, subject to envitoring water, stored project utilizes solid	g projects that achieve pollu ironmental review results. I	roaches to managing water resources in a more ution prevention or pollutant removal at the least life neludes approaches to incorporate green infrastructury ty infrastructure and management.	
6.3 As the Authorized Repretrue, accurate, and correct.	esentative, I certify that th	e information contained in this application is, to	the best of i
First Name	Last Name	Title	
Mark	Seamans	President	
Authorized Signature:	mille	Date: <u>3/5/09</u>	
This Application Addendum	nust be printed, signed and	returned to WIFA within 5 days of electronic submi	ttal

Update Print Close

Appendix "E"

SAHUARITA Water Company



RECEIVED

Lawrence V. Robertson, Jr.

March 9, 2009

Kristin K. Mayes, Chairman Arizona Corporation Commission 1200 West Washington Phoenix, Arizona 85007

Re: Opportunities for Commission Regulated Water Companies to Access Federal Stimulus Monies for Water Infrastructure Projects, Finance Consolidation of Smaller Water Systems; Utility Plans and Preparations for Additional Funding.

Dear Chairman Mayes:

This letter is in response to your February 20, 2009 correspondence to Class A and B water utilities in Arizona in connection with the above-referenced subject. Sahuarita Water Company, LLC ("SWC") was a recipient of your letter, and SWC is currently in the process of applying for financial assistance which may be available under the Federal Economic Recovery package referred to in your letter. In that regard, SWC understands the American Recovery and Reinvestment Act ("ARRA") to constitute that "package."

More specifically, on February 17, 2009, SWC filed an application with the Commission requesting authorization to incur \$4,694,523 in short-term indebtedness in connection with the construction of a centralized arsenic treatment plant and approximately 2.5 miles of related collector transmission mains on SWC's water system. That filing has been assigned Docket No. W-03718A-09-0065; and it is to be followed by a second application in which SWC will request long-term financing authorization in an equivalent amount.

Normally, short-term borrowing would not necessitate the receipt of prior Commission approval. However, in this instance, SWC's construction schedule contemplates a substantial expenditure of funds in the initial stages of construction; and, it is conceivable that the amount required to be borrowed and disbursed for such purpose could exceed 7% of SWC's total capitalization before SWC is able to obtain long-term financing authorization for the water system improvements here in question. As you are aware, A.R.S. § 40-302(D) provides that short-term borrowings in excess of 7% of a public service corporation's total capitalization

require prior Commission authorization. Accordingly, SWC filed the application which is the subject of Docket No. W-03418A-09-0065.

In connection with the foregoing, on January 27, 2009, SWC filed a Project Financial Assistance Priority List Application ("PPL Application") with the Water Infrastructure Finance Authority of Arizona ("WIFA") for funding to construct the aforesaid water system facilities. In addition, on March 5, 2009, SWC filed an addendum to the PPL Application with WIFA, through which SWC hopes to be able to obtain funds made available to WIFA under the ARRA.

Further, SWC currently anticipates that within the next 2-3 weeks, it will be filing its application requesting long-term financing authorization from the Commission in the aforesaid amount of \$4,694,523. Funds obtained pursuant to that authorization would be used to pay off any funds which may have been obtained pursuant to the short-term borrowing authorization which has been requested.

As you are also aware, WIFA will not approve or fund any loans to water utilities subject to regulation by the Commission, until the Commission has issued a decision approving such borrowing. Accordingly, and against the background of a need for promptness reflected in your February 20, 2009 letter, SWC would be interested in knowing whether the Commission has instituted (or is considering instituting) procedures for expediting the processing of financing applications by water utilities where the proposed source of borrowing might include Federal "stimulus" funds.

I hope that the foregoing is responsive to your February 20, 2009 letter. Let me know if you have any questions or would like more information.

Sincerely,

Mark Seamans, President

Commissioner Newman
Commissioner Kennedy
Commissioner Stump
Ernest Johnson
Steve Olea
Janice Alward
Michael Kearns
Rebecca Wilder

Commissioner Pierce

cc:

Judy Navarrete, WIFA

Lawrence V. Robertson, Jr.

Appendix "F"

To all Applicants who have submitted a Project Priority List Application and requested the project to be considered for American Recovery and Reinvestment Act (ARRA) funding:

To continue to be considered for funding under the ARRA, YOU MUST PROVIDE THE INFORMATION REQUESTED NO LATER THAN midnight, March 12, 2009.

Below is a summary of the ARRA Loan Applications received by the March 6, 2009 Deadline.

Program	Applications Received	Funding Requested	ARRA Funds Available
Clean Water (CW)	109	\$536,713,134.00	\$26,757,000
Drinking Water (DW)	183	\$521,299,513.96	\$55,340,000

At least 50% of the CW ARRA Funds available to WIFA (\$13,378,500) will be provided in the form of low interest loans with a percentage of forgivable principal. The remaining CW ARRA funds available will be distributed through low interest loans and will include additional interest rate subsidization.

At least 50% of the DW ARRA Funds available (\$27,670,000) will be provided in the form of low interest loans with a percentage of forgivable principal. The remaining DW ARRA funds available will be distributed through low interest loans and will include additional interest rate subsidization.

WIFA continues to receive additional ARRA Program Guidance. Preference will be given to projects that are ready to start construction, with design and refinance projects following in priority. Additionally all loan recipients will need to have a DUNS (Data Universal Number System) number. To find out your DUNS # or to get a DUNS number, go to http://fedgov.dnb.com/webform/.

Each Project Priority List Application for a loan is currently being reviewed. To complete the review, WIFA requires the following information be filed electronically no later than midnight, March 12, 2009. Certifications with original signatures should be printed, signed and submitted to WIFA's Office within 7 days of electronic submission.

1. Provide the following information.

Task	Date
Planning, Design & Specifications Submitted	3-17-09
Approval to Construct	5-1-09
Advertisement for Bids	3-17-09
Construction Commencement	5-4-09
Construction Completion	12-3-09
Initiate Operation	12-4-09



CERTIFICATIONS

I, Mark J. Seamans, as President of the Sahuarita Water Company, LLC certify that the start date for construction of this Project is projected to be May 4, 2009.

I also certify that this Project will remain in compliance with the "Wage Rate Requirement" (Davis-Bacon Act) and the "Use of American Iron, Steel and Manufactured Goods Requirement" as described in the ARRA. A copy of the bid documents is currently in draft form and the final documents will be mailed to you on March 17, 2009 when we put the Project out to bid.

For debt authorization, I am attaching a long-term debt financing authorization signed by the Owners of the Sahuarita Water Company, LLC. Our application to the Arizona Corporation Commission will be filed on Friday, March 13, 2009 and I will forward a copy to your offices at that time.

The estimate that twenty (20) jobs will either be created or retained was determined by the average number of workers that we believe will be on the job site on a daily basis.

Signed by:

Print Name:

MARK J S=AMANS

Title:

Pres (Jent)

Date:

3/12/09

Meeting Minutes and Resolution, and Related Waiver of Notice and Ratification

The members of Sahuarita Water Company, L.L.C. ("Company") met, pursuant to waiver of advance notice, for the purpose of authorizing the management of the Company to cause the filing of an Application with the Arizona Corporation Commission ("Commission") requesting authorization to incur up to \$4.7 million of long-term (more than 12 months) indebtedness for the purpose(s) of (i) installing a centralized arsenic treatment facility on the Company's water system, and (ii) constructing related collector mains.

The members of the Company further met, pursuant to said waiver of advance notice, for the purpose of ratifying the previous decision of management of the Company to cause the filing of an Application with the Commission requesting authorization to incur short-term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s), which Application has been assigned Docket No. W-03718A-09-0065 by the Commission.

Following discussion, upon a motion duly made and seconded, the following resolution was unanimously adopted.

RESOLVED that the Management of Sahuarita Water Company, L.L.C. is hereby authorized to cause the filing of an Application with the Arizona Corporation Commission ("Commission") requesting authorization to incur up to \$4.7 million of long-term (more than 12 months) indebtedness for the purpose(s) of (i) installing a centralized arsenic treatment facility on the Company's water system, and (ii) constructing related collector mains.

RESOLVED FURTHER that the previous decision of the management of Company cause the filing of an Application with the Commission requesting authorization to incur short-

term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s) is hereby ratified.

RESOLVED FURTHER that this Meeting Minutes and Resolution, and Related Waiver of Notice and Ratification may be signed in counterparts by the Members of the Company, in order to facilitate timely execution.

SAI:		
SHARPE & ASSOCIATES Arizona comporation By: Its: Date:	, INC.,	an
•		
	SHARPE & ASSOCIATES Arizona comporation By: Its: A A A A A	SHARPE & ASSOCIATES, INC., Arizona comporation By: Its:

term (less than 12 months) indebtedness up to the aforementioned amount for the aforesaid purpose(s) is hereby ratified.

RESOLVED FURTHER that this Meeting Minutes and Resolution, and Related Waiver of Notice and Ratification may be signed in counterparts by the Members of the Company, in order to facilitate timely execution.

IOF:	SAI:
INTERCHANGE OPPORTUNITY FUND LIMITED LIABILITY LIMITED PARTNERSHIP, an Arizona limited liability limited partnership	SHARPE & ASSOCIATES, INC., as Arizona corporation By:
By: Sharpe & Associates, Inc., an Arizona corporation By:	Its: Date:
Its:	
MP 4000:	
MISSION PEAKS 4000, LLC, a Nevada limited liability company	
By: American Nevada Company, LLC, a Nevada limited liability company Its: Manager By: Its: Region Nevada Company, LLC, a Nevada limited liability company Its: Region Nevada Company, LLC, a Nevada limited liability company Its: Region Nevada Company, LLC, a Nevada limited liability company Its: Region Nevada Company, LLC, a Nevada limited liability company Its: Region Nevada Company, LLC, a Nevada limited liability company Its: Region Nevada limited liability company	
Day MANAG 13 2009	

Appendix "G"

Sahuarita Water Company Balance Sheet

Acct. No.		В	alance Sheet 12/31/07	В	alance Sheet 12/31/08
11000.110.	ASSETS	····	12/31/07		12/31/08
	Current and Accrued Assets				
131	Cash	\$	5,810,349	\$	5,591,809
146	Notes/Receivables from Associated Companies		, ,	\$	19,809
151	Plant Materials and Supplies	\$	822	\$	103,909
162	Prepayments	\$	4,430	\$	2,658
	Total Current and Accrued Assets	\$	5,815,601	\$	5,718,185
	Fixed Assets				
301	Organization	\$	7,541	\$	7,541
302	Franchises	\$	203,211	\$	350,861
303	Land and Land Rights	\$	13,636	\$	13,636
304	Structures and Improvements	\$	120,514	\$	171,671
307	Wells and Springs	\$	800,396	\$	800,396
310	Power Generation Equipment	\$	155,594	\$	335,668
311	Pumping Equipment	\$	42,065	\$	43,912
320	Water Treatment Equipment	\$	12,854	\$	18,694
330	Distribution Reservoirs and Standpipes	\$	1,811,998	\$	1,811,998
331	Transmission and Distribution Mains	\$	10,141,143	\$	10,162,557
333	Services	\$	2,081,553	\$	2,081,553
334	Meters and Meter Installations	\$	1,202,041	\$	1,222,335
335	Hydrants	\$	672,037	\$	672,037
336	Backflow Prevention Devices	\$	816	\$	816
339	Other Plant and Misc. Equipment	\$	152,130	\$	-
340	Office Furniture and Equipment	\$	198,350	\$	283,991
341	Transportation Equipment	\$	146,129	\$	146,129
343	Tools, Shop and Garage Equipment	\$	10,966	\$	13,856
344	Laboratory Equipment	\$	132	\$	132
345	Power Operated Equipment	\$	-	\$	_
346	Communication Equipment	\$	8,636	\$	11,818
347	Miscellaneous Equipment	\$	695	\$	695
348	Other Tangible Plant	\$	-	\$	962,974
105	Construction Work in Progress	\$	1,305,549	\$	1,602,002
108	Accumulated Depreciation - Utility Plant	\$	(1,328,263)	\$	(1,905,271)
121	Non-Utility Property	\$	•	\$	70,297
122	Accumulated Depreciation - Non Utility	\$		\$	(2,344)
	Total Fixed Assets	\$	17,759,723	\$	18,877,953
	TOTAL ASSETS	\$	23,575,324	\$	24,596,138
	LIABILITIES				
221	Current Liabilities	¢.	27.042	Φ.	22 (12
231	Accounts Payable	\$	36,942	\$	23,613
235	Customer Deposits Accrued Taxes	\$	48,925 16,749	\$	96,204
236 237	Accrued Traxes Accrued Interest	\$ \$	10,749	\$ \$	14,582
237	Misc Current and Accrued Liabilities	\$ \$	72 400		2,257
241	Total Current Liabilities	\$	73,408	\$	137,086
	DEFERRED CREDITS	<u> </u>	176,024	<u> </u>	273,743
252	Advances in Aid of Construction	\$	9,502,775	\$	9,334,999
271	Contributions in Aid of Construction	\$	2,402,899	\$	2,436,452
272	Less: Amortization of Contributions	\$	(165,307)	\$	(238,862)
	Total Deferred Credits	\$	11,740,367	\$	11,532,590
	TOTAL LIABILITIES	\$	11,916,391	\$	11,806,333
	CAPITAL	_		_	
218	Proprietary Capital	\$	11,658,933	_\$	12,789,805
	Total Capital		11,658,933	\$	12,789,805
	TOTAL LIABILITIES AND CAPITAL	\$	23,575,324	\$	24,596,138

Appendix "H"

Sahuarita Water Co., LLC Comparative Statement of Income and Expense

Acct.		714		· · · · · ·	
No.		l	/1/07-12/31/07	1/1	/08 - 12/31/08
	Utility Revenues				
461	Metered Water Revenue	\$	1,849,699	\$	2,030,502
460	Other Water Revenue	\$	136,864	\$	157,242
474	Total Utility Revenues	\$	1,986,563	\$	2,187,744
	Utility Expenses				
601	Salaries and Wages				
610	Purchased Water	\$	74,260	\$	118,875
615	Purchased Power	\$	131,471	\$	141,901
618	Chemicals	\$	5,856	\$	11,535
620	Repairs and Maintenance	\$	54,608	\$	75,423
621	Office Supplies and Expense	\$	-	\$	30,131
630	Outside Services	\$	745,564	\$	730,103
635	Water Testing	\$	5,750	\$	8,750
641	Rents	\$	19,209	\$	13,195
650	Transportation Expense	\$	17,682	\$	22,358
657	Insurance - General Liability	\$	64,772	\$	21,111
659	Insurance - Health and Life	\$	-	\$	-
666	Regulatory Commission Expense - Rate Case	\$	-	\$	-
675	Miscellaneous Expense	\$	12,044	\$	14,834
403	Depreciation Expense	\$	341,881	\$	503,454
408	Taxes Other Than Income	\$	-		
408.11	Property Taxes	\$	56,022	\$	80,828
409	Income Tax				
	Total Utility Expenses	\$	1,529,119	\$	1,772,498
	Total Utility Operating Income	\$	457,444	\$	415,246
	Other Income				
414	Gain (loss) from Disposition of Utility Property	\$	(2,195)	\$	_
419	Interest and Dividend Income	\$	77,753	\$	123,085
421	Non-Utility Income	\$	· -	\$	9,544
426	Miscellaneous Non-Utility Expenses	\$	_	\$	(4,666)
427	Interest Expense	\$	(43,990)	\$	(3,904)
	Total Other Income (Expense)	\$	31,568	\$	124,059
	Net Profit (Loss)	\$	489,012	\$	539,304

Appendix "I"

Sahuarita Water Company Increase (Decrease) in Cash For the Year Ended December 31, 2008

Cook Flour from an austin a activiti		
Cash Flows from operating activities Net Income	\$	520.204
Adjustments provided by operating activities	Э	539,304
Adjustments provided by operating activities	\$	_
Depreciation	\$	505,798
Plant Material & Supplies	\$	(103,087)
Accounts payable	\$	(13,329)
Deposits Payable	\$	47,279
Misc Current & Accrued Liabilities	\$	63,678
Accrued Taxes	\$	(2,167)
Customer Credits	\$	-
Prepaid Expenses	\$	1,772
Accounts Receivable/Clearing	\$	(19,809)
Accrued Interest	\$	2,257
Net cash provided by operations	\$	1,021,696
0.151 0 1 2 2 2 2		
Cash Flows from investing activities	•	(1.17.650)
Franchises	\$	(147,650)
Land	\$	(51.157)
Structures & Improvements	\$	(51,157)
Wells & Springs	\$	(180.074)
Power Generation Equipment	\$	(180,074)
Pumping Equipment Water Treatment Equipment	\$	(1,847)
Water Treatment Equipment Distribution Reservoir	\$ \$	(5,840)
Transmission & Dist Mains	э \$	(21.414)
Services	\$	(21,414)
Water Meters	\$	(20,294)
Hydrants	\$	(20,294)
Backflow Prevention Device	\$	_
Other Plant & Misc Equipment	\$	152,130
Office Furniture & Equipment	\$	(85,641)
Transportation Equipment	\$	(05,041)
Tools, Shop and Garage Equipment	\$	(2,890)
Laboratory Equipment	\$	(2,0,0)
Power Operated Equipment	\$	_
Communication Equipment	\$	(3,182)
Miscellaneous Equipment	\$	-
Other Tangible Plant	\$	(962,974)
Construction In Progress	\$	(296,451)
Non-Utility Property & Equipment	\$	(70,297)
Net cash used by investing activities	\$ (1	,697,581.00)
Cash Flows from financing activities		
Advances in Aid of Construction	\$	(167,776)
Contributions in Aid of Construction	\$	33,553
Capital	\$	591,568
Net cash provided (used) by financing activities		457,345
Net increase <decrease> in cash</decrease>	\$	(218,540)
Summary		
Cash Balance at End of Period	\$	5,591,809
Cash Balance at Beg of Period	_\$	5,810,349
Net increase <decrease> in Cash</decrease>	\$	(218,540)

Appendix "J"

SAHUARITA WATER COMPANY, LLC STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDING DECEMBER 31, 2008

Beginning Balance, 12/31/07	\$ 11,658,933
Less: Prior Period Adjustment	\$ (314)
Adjusted Beginning Balance, 12/31/07	\$ 11,658,619
Investments by Partners	\$ 591,882
Net Income	\$ 539,304
Ending Balance, 12/31/08	\$ 12,789,805